

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 19, 2003

Agenda ID #2242

TO: PARTIES OF RECORD IN APPLICATION 02-04-022

This is the draft decision of Administrative Law Judge (ALJ) McVicar. It will not appear on the Commission's agenda for at least 30 days after the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the draft decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the draft decision as provided in Article 19 of the Commission's "Rules of Practice and Procedure." These rules are accessible on the Commission's website at <http://www.cpuc.ca.gov>. Pursuant to Rule 77.3 opening comments shall not exceed 15 pages. Finally, comments must be served separately on the ALJ and the Assigned Commissioner, and for that purpose I suggest hand delivery, overnight mail, or other expeditious method of service.

/s/ ANGELA K. MINKIN
Angela K. Minkin, Chief
Administrative Law Judge

ANG:hkr

Attachment

Decision **DRAFT DECISION OF ALJ McVICAR** (Mailed 5/19/2003)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the
California-American Water Company (U210W)
for an Order Authorizing it to Increase its Rates
for Water Service in its Monterey Division to
Increase Revenues by \$5,725,300 or 22.47% in the
Year 2003; \$1,772,100 or 6.94% in the Year 2004;
and \$996,500 or 3.02% in the Year 2005.

Application 02-04-022
(Filed April 15, 2002;
petition to modify
March 13, 2003)

ORDER MODIFYING DECISION 03-02-030

Summary

California-American Water Company's (CalAm) petition for modification of Decision (D.) 03-02-030 is granted in part and denied in part. Appendices E and F are added to the decision, confirming figures used to establish Monterey Division's adopted general office expenses for test years 2003 and 2004. Other figures CalAm asks to have included in the decision are not, principally because these figures are not in the record. This proceeding is closed.

Discussion

D.03-02-030 is the most recent general rate case (GRC) decision for CalAm's Monterey Division. The decision established Monterey Division's revenue requirement for test years 2003 and 2004 and attrition year 2005, including CalAm's general office allocations to Monterey Division for test years 2003 and 2004. By this petition for modification, CalAm asks the Commission to add three additional appendices to D.03-02-030: General Office Allocations for

2003, 2004, and 2005; General Office Expenses for 2003 and 2004; and Total General Office Expenses and Allocations for 2003 and 2004. Granting CalAm's request would not change the outcome of the proceeding in any way other than to include in the decision additional figures related to general office, some of which already underlie the previously adopted outcome. CalAm states that it worked closely with the Commission's Water Division¹ in developing these tables, and that they have been reviewed and approved by the Office of Ratepayer Advocates, one of four other parties to the proceeding. No party has filed a response to the petition and we are not aware of any opposition to granting CalAm's request.

We will grant CalAm's request with one exception: we do not include CalAm's proposed General Office Allocations for 2003, 2004, and 2005, for two reasons. First, the specific figures CalAm proposes to add for districts other than Monterey Division² are not in the evidentiary record of the proceeding and are *not* figures CalAm worked with Water Division to develop. Second, Monterey Division's revenue requirement for attrition year 2005 was determined by the Commission's standard attrition revenue requirement calculation and did not rely on these 2005 figures CalAm now provides. These specific 2005 figures appear to be extrapolations derived of the test year 2003 and test year 2004 results, were not tested by any counterparty in the proceeding, and, like their 2003 and 2004 counterparts, are neither in the evidentiary record nor figures CalAm worked with Water Division to develop.

¹ CalAm's petition for modification refers to Water Branch, which from informal clarification we understand to mean Water Division.

² The 2003 and 2004 figures for Monterey Division were previously adopted and are shown twice in D.03-02-030: in Appendix A; and in Appendix D, page 3 of 4.

Added Appendices E and F reflect the general office amounts used to establish Monterey Division's test year 2003, test year 2004, and attrition year 2005 revenue requirements. Considering the changes expected in CalAm's general office operations following CalAm's acquisition in 2002 of the assets of Citizens Utilities Company of California, and American Water Works Company's recent acquisition by RWE Aktiengesellschaft, Thames Water Acqua Holdings GmbH after this proceeding was submitted, the figures in Appendices E and F may or may not be appropriate for use in future GRCs for CalAm's other districts. Whether to take notice of and use them is a determination to be made based on the record developed in those future rate proceedings.

As CalAm's petition suggests, we will add a reference to the new appendices in the first paragraph of the General Office section on page 21 of the decision. The added decision text is shown in underline below:

CalAm's general office expenses are typically presented for Commission examination every three years with its Monterey Division GRC. After determining the allowable general office expenses and investments, the results are then spread to all of the affected operating districts as expense amounts. CalAm and ORA agree on many general office figures; their remaining differences are explained here. The general office expenses are shown in Appendix E. The total general office expenses and allocations are shown in Appendix F.

Comments on Draft Decision

The draft decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. Comments were received from

Assignment of Proceeding

Michael Peevey is the Assigned Commissioner and James McVicar is the assigned ALJ in this proceeding.

Findings of Fact

1. Proposed Appendices E and F set forth in Attachment 1 to this order reflect underlying figures needed and used to calculate the D.03-02-030 adopted revenue requirements for 2003, 2004, and 2005 for CalAm's Monterey Division. The remaining figures CalAm proposes to add to D.03-02-030 were not needed, not used, and not part of the evidentiary record in the proceeding.

2. No party filed a response to CalAm's petition for modification, and there is no known opposition to granting CalAm's request to the extent provided herein.

Conclusions of Law

1. CalAm's petition for modification should be granted to the extent provided herein, and in all other respects should be denied.

2. For administrative efficiency, this order should be effective immediately.

O R D E R**IT IS ORDERED** that:

1. Decision (D.) 03-02-030 is amended to add new Appendices E and F, included as Attachment 1 to this order.

2. The first paragraph in the General Office discussion section on page 21 of D.03-02-030 is amended to read as follows:

CalAm's general office expenses are typically presented for Commission examination every three years with its Monterey Division GRC. After determining the allowable general office expenses and investments, the results are then spread to all of the affected operating districts as expense amounts. CalAm and ORA agree on many general office figures; their remaining differences are

explained here. The general office expenses are shown in Appendix E. The total general office expenses and allocations are shown in Appendix F.

3. California-American Water Company's petition for modification of D.03-02-030 is granted to the extent set forth herein, and in all other respects is denied.

4. Application 02-04-022 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT 1

APPENDIX E: General Office Expenses

APPENDIX F: Total General Office Expenses and Allocations